

Strategic Petroleum Reserve

For necessary expenses for Strategic Petroleum Reserve facility development and operations and program management activities pursuant to the Energy Policy and Conservation Act of 1975, as amended (42 U.S.C. 6201 et seq.), [\$207,500,000] \$160,120,000 to remain available until expended [of which \$207,500,000 shall be repaid from the “SPR Operating Fund” from amounts made available from the sale of oil from the Reserve; *Provided*, That notwithstanding section 161 of the Energy Policy and Conservation Act of 1975, the Secretary shall draw down and sell in fiscal year 1998, \$207,500,000 worth of oil from the Strategic Petroleum Reserve; *Provided further*, That the proceeds from the sale shall be deposited into the “SPR Operating Fund”, and shall, upon receipt, be transferred to the Strategic Petroleum Reserve account for operations of the Strategic Petroleum Reserve.] (*Department of the Interior and Related Agencies Appropriations Act, 1998.*)

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
STRATEGIC PETROLEUM RESERVE
(Tabular dollars in thousands. Narrative in whole dollars)

STRATEGIC PETROLEUM RESERVE

PROGRAM MISSION

The Strategic Petroleum Reserve (SPR) was created by the Energy Policy and Conservation Act of 1975 (EPCA) to provide the United States with adequate strategic and economic protection against disruptions in oil supplies. The SPR Program was established as a 750 million-barrel (MMB) capacity crude oil reserve with storage in large underground salt caverns at five sites in the Gulf Coast area, connected to major private sector distribution systems, and maintained to achieve full drawdown rate capability within fifteen days notice to proceed. Storage capacity development was completed in September 1991 providing the capability to store 750 million barrels of crude oil in underground caverns ready to deploy at the President's direction in the event of an emergency. Following the decommissioning of the Weeks Island site in 1999, the program will maintain a 680 million barrel capacity at the four remaining sites. During FY 1997, an inventory of 563 million barrels provided 63 days of net import protection. Based on an estimated inventory of 547 million barrels (following the FY 1998 oil sale), the days of net import protection falls to 61 days in FY 1998, and 58 days in FY 1999. The decline rate is a measure of the projected growth of U.S. requirements for imported crude oil.

The GOAL of the SPR is to:

Ensure readiness and maintain the capability to drawdown and distribute crude oil from the SPR to protect the domestic U.S. economy from the impact of energy supply disruptions and to act cooperatively with member nations of the International Energy Agency (IEA) to deter or respond to supply disruptions which would adversely affect member nations.

The OBJECTIVES related to these goals are:

1. Storage Facilities Management - Ensure that the systems, equipment, buildings and storage caverns comply with Level 1 Technical and Performance Criteria and accomplish the mission. SPR facilities must have the capability to receive, store, and drawdown crude oil and interface with major commercial distribution networks. Also, the facilities must have a useful life that is consistent with long term strategic plans for the reserve. Level 1 Performance criteria are engineered performance and reliability standards applied to critical inventory storage, drawdown, and distribution systems required for drawing down and distributing the crude oil inventory in the event of a Presidential declaration of emergency.

2. Operational Readiness - Ensure that the SPR is drawdown ready at rates that have been established to accomplish our mission and meet the requirements of the Level 1 Technical and Performance Criteria. Readiness requires functional capability in operations, maintenance, recovery, emergency preparedness, security, and oil quality/accountability.
3. Environment, Safety and Health - Ensure effective management of all potential ES&H risks to DOE property, personnel, mission, and the environment that could be associated with program operations. The SPR maintains an ES&H program that is designed to protect SPR employees (federal and contractor), the general public, property and the environment from potential hazards from construction, operations, maintenance and decommissioning at the SPR.
4. Program Management - Provide the infrastructure of technical, management and administrative support to sustain our readiness posture and fulfill the mission. Measures of success will be evaluated by our ability to achieve economies and efficiencies in project planning and control, procurement, information technology, financial management, internal audits, human resources, and quality management.

PERFORMANCE MEASURES

Performance measures have been developed to determine to what extent goals and desired outcomes are being achieved for these objectives.

Quantitative measures include:

- Total capacity at four sites.
- Distribution rate
- Percent of Life Extension Program under contract
- Drawdown rate
- Predicted site availability
- Weighted annual average of quality in the Maintenance Performance Appraisal Report (MPAR)
- Weighted annual average of Material Performance Appraisal Compilation (MPAC)
- Percent of recovery equipment testing objectives met
- Percent of trained emergency response team members
- Percent of available operational spill & fire response equipment
- Percent of satisfactory site security surveys
- Oil inventory available
- Number of notice of violations; reportable oil & brine spills.
- Lost workday rate and lost workday case rate

Definitions of performance measures, the criteria for intended results, and output targets are contained in the SPR's FY 1999 Annual Performance Plan.

SIGNIFICANT ACCOMPLISHMENTS

WEEKS ISLAND DECOMMISSIONING: The Department determined that the risks associated with the continued use of the Weeks Island, Louisiana, site were not acceptable due to continued deterioration of cap rock and salt that has compromised the integrity of the mine. In 1995, the Department developed a multi-year plan to relocate the 73 million barrels of crude oil and decommission the site. During FY 1996, the SPR commenced relocating the Weeks Island site's 73 million barrel crude oil inventory to the Bayou Choctaw, Louisiana and Big Hill, Texas sites. Additionally, the SPR sold 17.9 million barrels pursuant to legislative requirements. Primary oil removal was virtually completed in January 1997. The site is now being backfilled with brine to ensure long-term mine stability.

GAS-IN-OIL REMEDIATION: During FY 1997, remedial activities were continued to remove excess gas from 172 million barrels of oil. Degassing operations originally planned for completion in April 1998, were completed ahead of schedule in December 1997.

BUDGET HIGHLIGHTS

The request for FY 1997 included storage site maintenance, operations, security, drawdown testing, and drawdown readiness; continued the long term replacement of critical physical systems (pipelines, valves, pumping systems, etc.) required to assure the capability of the SPR to effectively perform its mission through the year 2025; continued the Weeks Island mitigation/decommissioning activities; and included acquisition of heat exchangers at the Big Hill site. Financing for FY 1997 activities was achieved through the sale of approximately 10.2 million barrels of oil from the Reserve. There was no oil acquisition; only payment of fixed terminaling costs to maintain capability for crude oil fill operations.

The FY 1998 and FY 1999 budget continues storage site maintenance, operations, security, drawdown testing, and drawdown readiness; the long term replacement of critical physical systems to assure the capability of the SPR to effectively perform its mission through the year 2025, and decommissioning of the Weeks Island storage facility. Decommissioning of the Weeks Island facility is scheduled for completion in June 1999. Financing for FY 1998 activities will be achieved through the sale of oil from the Reserve. For FY 1999 financing, the SPR requests \$160.1million in new Budget Authority. No oil acquisition is planned; only payment of fixed terminaling costs to maintain capability for crude oil fill operations.

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY
(Dollars in thousands)
PROGRAM FUNDING PROFILE
STRATEGIC PETROLEUM RESERVE

<u>Activity</u>	<u>FY 1997 Enacted</u>	<u>FY 1998 Enacted</u>	<u>FY 1999 Base</u>	<u>FY 1999 Request</u>	<u>Program Change Request vs. Base</u>	
					<u>Dollar</u>	<u>Percent</u>
Storage Facilities Development And Operations						
Non-Phase Specific	\$ 193,000	\$ 191,500	\$ 191,500	\$ 145,120	\$-46,380	-24%
Management	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 15,000</u>	<u>\$ -1,000</u>	<u>-6%</u>
Total, Strategic Petroleum Reserve Account	\$ 209,000	\$ 207,500	\$ 207,500	\$ 160,120	\$-47,380	-23%
SPR Petroleum Account						
Oil Acquisition and Transportation	\$ 0	\$ 0	\$ 0	\$ 0	0	
SPR Decommissioning Fund	0	\$ 0	\$ 0	\$ 0	0	
Proceeds from oil sale 1/	-220,000	-207,500	0	0	0	
Total SPR Requirements	\$ 209,000	\$ 207,500	\$ 207,500	\$ 160,120	\$-47,380	-23%
NET NEW BA 2/	-11,000	0	207,500	160,120	-47,380	-23%
Staffing (FTEs)*						
Headquarters	32	27	25	25		
Field	<u>109</u>	<u>110</u>	<u>110</u>	<u>110</u>		
Total Staffing	141	137	135	135		

* Reflects realignment of SAI allocation between headquarters and field. Total allocation remains the same.

1/ Reflects sale of oil in FY 1997 and FY 1998 to finance SPR operations.

2/ Reflects rescission of \$11 million in FY 1997.

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
STRATEGIC PETROLEUM RESERVE
(Tabular dollars in thousands, narrative in whole dollars)
SUMMARY OF CHANGES

FY 1998 Enacted	\$ 207,500
- Non-Discretionary	\$ 0
FY 1999 Base	\$ 207,500

Storage Facilities Development and Operations

o Non-Phase Specific

- Decrease in level of activity for the Life Extension Program (LEP)	-28,233
- Decrease reflects prior year implementation of information system upgrades & the M&O Voluntary Separation Program	-7,869
- Decrease for Weeks Island mitigation and decommissioning	-5,346
- Decrease for savings associated with streamlining	-4,932

o Management

- Decrease reflects savings associated with streamlining	-1,000
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FY 1999 Congressional Budget Request	\$ 160,120
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STRATEGIC PETROLEUM RESERVE

STORAGE FACILITIES DEVELOPMENT/OPERATIONS AND MANAGEMENT

I. Mission Supporting Goals and Objectives:

Storage Facilities Development and Operations funds all requirements associated with developing and maintaining facilities for the storage of petroleum, all operations associated with placing petroleum into storage, all operational readiness activities associated with drawing down and distributing the inventory on a 15-day notice in the event of an emergency, and the anticipated cost of removing oil from and decommissioning the Weeks Island storage site. Requirements not directly associated with facilities development are funded in the Non-phase Specific category of the Storage Facilities Development and Operations budget. Management funds all costs of Strategic Petroleum Reserve personnel; administrative expenses related to maintaining the Project Management Office in New Orleans, Louisiana; contract services required to support management; and the technical analysis of program issues.

Performance Measures

For Storage Facilities Development, Operations, and Management, the key measure of program performance is expressed as capability to comply with Level 1 Performance Criteria. All program activities are developed to support this performance objective.

II. A. Funding Schedule:

<u>Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$Change</u>	<u>%Change</u>
-					
Non-phase Specific	\$193,000	\$191,500	\$145,120	\$-46,380	-24%
Management	<u>\$16,000</u>	<u>\$16,000</u>	<u>\$15,000</u>	<u>\$-1,000</u>	<u>-6%</u>
Total, Storage Facilities Development & Operations and Management	<u>\$209,000</u>	<u>\$207,500</u>	<u>\$160,120</u>	<u>\$-47,380</u>	<u>3%</u>

I. B. Laboratory and Facility Funding Schedule:

<u>Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$Change</u>	<u>%Change</u>
Sandia National Laboratories	\$2,961	\$2,966	\$3,058	+92	+2%
Bartlesville Project Office	\$700	\$700	\$700	\$0	0%
Oak Ridge National Lab	\$100	\$100	\$100	\$0	0%
All Other	<u>\$205,239</u>	<u>\$203,734</u>	<u>\$156,262</u>	<u>\$-47,472</u>	<u>-25%</u>
Total, Storage Facilities Development & Operations and Management	<u>\$209,000</u>	<u>\$207,500</u>	<u>\$160,120</u>	<u>\$-47,380</u>	<u>-23%</u>

III. Performance Summary: STORAGE FACILITIES DEVELOPMENT & OPERATIONS AND MANAGEMENT

<u>Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
Non-Phase Specific	Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria.	Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria. Complete remedial activities associated with excess gas in crude oil inventory.	Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria.
	Continue the Drawdown Readiness Program and perform annual exercises.	Continue the Drawdown Readiness Program and perform annual exercises.	Continue the Drawdown Readiness Program and perform annual exercises.

Activity	FY 1997	FY 1998	FY 1999
Non-Phase Specific (con't)	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p> <p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p> <p>Continue implementation of the Life Extension Program to replace or upgrade major SPR systems which are reaching their design life as follows: BIG HILL: Heat exchangers; piping reconfiguration; cavern flush system; raw water injection pump upgrade. BRYAN MOUND: Crude oil system upgrades. BAYOU CHOCTAW: Acquisition of replacement raw water pumps and motors; cavern piping reconfiguration; brine disposal system upgrades. WEST HACKBERRY: Crude oil system upgrades; raw water intake structure upgrades.</p>	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p> <p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p> <p>Continue implementation of the Life Extension Program to replace or upgrade major SPR systems which are reaching their design life as follows: BIG HILL: Brine disposal injection wells; wellhead replacement; standard valves. BRYAN MOUND: Close brine pond; upgrade slop oil system; demolition of unneeded slabs, structures & supports; system testing. BAYOU CHOCTAW: Wellhead replacement; electrical system upgrade. WEST HACKBERRY: Wellhead replacement; demolition of unneeded slabs, supports and structures; system testing.</p>	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p> <p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p> <p>Continue implementation of the Life Extension Program to replace or upgrade major SPR systems which are reaching their design life as follows: BIG HILL/BAYOU CHOCTAW: Demolition of unneeded slabs, supports & structures.</p>

Activity	FY 1997	FY 1998	FY 1999
Non-Phase Specific (con't)	<p>Initiate activities to recover drawdown capability lost as a result of the decommissioning of the Weeks Island site.</p> <p>Complete oil relocation from the Weeks Island storage mine. Skim oil clingage and begin flooding with brine. Continuously monitor geotechnical stability and mine integrity and test emergency responses in event of indications of unacceptable mine structural conditions.</p>	<p>Continue activities to recover drawdown capability lost as a result of the decommissioning of the Weeks Island site.</p> <p>Complete brine flood and oil skimming activities. Complete all subsurface activities. Continuously monitor geotechnical stability and mine integrity and test emergency responses in event of indications of unacceptable mine structural conditions.</p>	<p>Continue activities to recover drawdown capability lost as a result of the decommissioning of the Weeks Island site.</p> <p>Complete decommissioning of the Weeks Island facility. Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions. Perform brine sampling.</p>
	\$193,000	\$191,500	\$145,120

Activity	FY 1997	FY 1998	FY 1999
Management	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.
	Provide analytic support for SPR development, fill and distribution policy decisions.	Provide analytic support for SPR development, fill and distribution policy decisions.	Provide analytic support for SPR development, fill and distribution policy decisions.
	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.
	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.
	Continue management of Weeks Island oil transfer and site decommissioning.	Continue management of Weeks Island site decommissioning.	Continue management of Weeks Island site decommissioning.
	Continue management of the ES&H corrective action program.	Continue management of the ES&H corrective action program.	Continue management of the ES&H corrective action program.

Activity	FY 1997	FY 1998	FY 1999
Management (con't)	Maintain capability to resume oil acquisition.	Maintain capability to resume oil acquisition.	Maintain capability to resume oil acquisition.
	Continue oil quality assurance management activities.	Continue oil quality assurance management activities.	Continue oil quality assurance management activities.
	No activity for Working Capital Fund.	Finance administrative support provided through the Working Capital Fund.	Finance administrative support provided through the Working Capital Fund.
	A level of 141 FTE's.	A level of 137 FTE's.	A level of 135 FTE's.
	\$16,000	\$16,000	\$15,000
Storage Facilities Development & Operations and Management	\$209,000	\$207,500	\$160,120

SPR PETROLEUM ACCOUNT

OIL ACQUISITION AND TRANSPORTATION

I. Mission Supporting Goals and Objectives:

The SPR Petroleum Account was established in the Treasury pursuant to the provisions of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). This account funds all Strategic Petroleum Reserve petroleum inventory acquisitions, associated transportation costs, U.S. Customs duties, terminal throughput charges, drawdown costs and other related miscellaneous costs.

Performance Measures Not Applicable.

II. A. Funding Schedule:

<u>Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$Change</u>	<u>%Change</u>
Oil Acquisition and Transportation	\$0	\$0	\$0	\$0	0%
Total, Oil Acquisition and Transportation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0%</u>

I. B. Laboratory and Facility Funding Schedule:

<u>Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>\$Change</u>	<u>%Change</u>
Total, Oil Acquisition and Transportation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0%</u>

III. **Performance Summary:** OIL ACQUISITION AND TRANSPORTATION

Activity	FY 1997	FY 1998	FY 1999
Oil Acquisition and Transportation	FY 1997 Oil acquisition and Transportation program outlays from prior year balances total \$5 million for continued drawdown readiness of SPR terminals.	- FY 1998 Oil acquisition and Transportation program outlays from prior year balances total \$5 million for continued drawdown readiness of SPR terminals.	- FY 1999 Oil acquisition and Transportation program outlays from prior year balances total \$5 million for continued drawdown readiness of SPR terminals.
	\$0	\$0	\$0
Oil Acquisition and Transportation Total	\$0	\$0	\$0

DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY

DISTRIBUTION OF FTE'S
STRATEGIC PETROLEUM RESERVE

	Full-Time Equivalents		
	<u>FY 1997 Request</u>	<u>FY 1998 Request</u>	<u>FY 1999 Request</u>
Headquarters	32	29	25
Project Management Office	<u>109</u>	<u>108</u>	<u>110</u>
Total	141	137	135

DEPARTMENT OF ENERGY
 FY 1999 CONGRESSIONAL BUDGET REQUEST
 ESTIMATES FOR HISTORICALLY BLACK
 COLLEGES AND UNIVERSITIES

STRATEGIC PETROLEUM RESERVE
 (Dollars in thousands)

<u>Appropriation/Decision Unit</u>	<u>Name of HBCU</u>	<u>FY 1997 Enacted</u>	<u>FY 1998 Request</u>	<u>FY 1999 Request</u>
Strategic Petroleum Reserve	Southern Univ.	32.0	----	----
	TBD	-----	33.6	34.0